LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

May 2024

The fund's net return was 1.57% in May versus the SXXR at 3.31%. The portfolio had a weak month against the backdrop of continued strong equity markets, albeit with the outperformance of large caps continuing to be a headwind for relative performance. The key negative contributors were our airlines, Ryanair and Jet2, and National Grid. Ryanair's CEO, Michael O'Leary, signalled weaker pricing in calendar Q2 and sent the whole European airlines sector lower. While still positive, Ryanair's achieved year-on-year price increases have faded from double digit to low single digit. While disappointing, the intra-European industry continues to see an extremely benign capacity outlook, and Ryanair continues to trade at multiples some 30-50% below its pre-pandemic valuation. We added to our position. Jet2 pulled back in line with the sector. National Grid declined on an equity raise which, while expected given the secular growth to be funded, came earlier and in a larger size than anticipated. The company announced a 5-year £60bn capex plan to drive a 10% CAGR in the regulated asset base. Higher growth is also likely to be accompanied by more attractive allowed returns and as such is an exciting prospect. Shareholders are nevertheless having to contribute more money than they expected while the dividend was also rebased lower. We firmly believe that resolution of the funding uncertainty improves the investment case for the stock but clearly the equity market will need to digest the surprise. We added to the position. There was reasonable activity at the single name level during the month with three names exiting the portfolio whilst two new names entered. Babcock was the most notable name to be sold. We owned the stock for a little less than two years, backing new management's plan to turn around an underperforming defence company. The company delivered revenue growth, margin expansion and free cash flow ahead of expectations. Following a strong re-rating, against the backdrop of an outperforming defence sector, we exited the position to pursue better risk-reward elsewhere.

Performance (net)

	Fund	STOXX*	MSCI*
Return on month	1.57%	3.31%	3.05%
YTD return	6.20%	10.14%	10.73%
1 year return	22.81%	17.83%	17.29%
3 year return	41.63%	25.47%	25.95%
5 year return	129.47%	58.72%	54.79%
10 year return	143.00%	95.48%	93.02%

Trailing CAGR (net)

	Fund	STOXX*	MSCI*
3 year	12.30%	7.86%	7.99%
5 year	18.07%	9.68%	9.13%
10 year	9.29%	6.93%	6.80%

Performance quoted net of fees based on the most invested open share class (Class A/1$)

Exposure

Cash	4.7%
Average market cap ($ millions)	18,516
Number of positions	32

Leverage

Gross method	1.8
Commitment method	1.0

Top 3 Positive Contributors

Ams-OSRAM
Fortum
Novonesis

Top 3 Negative Contributors

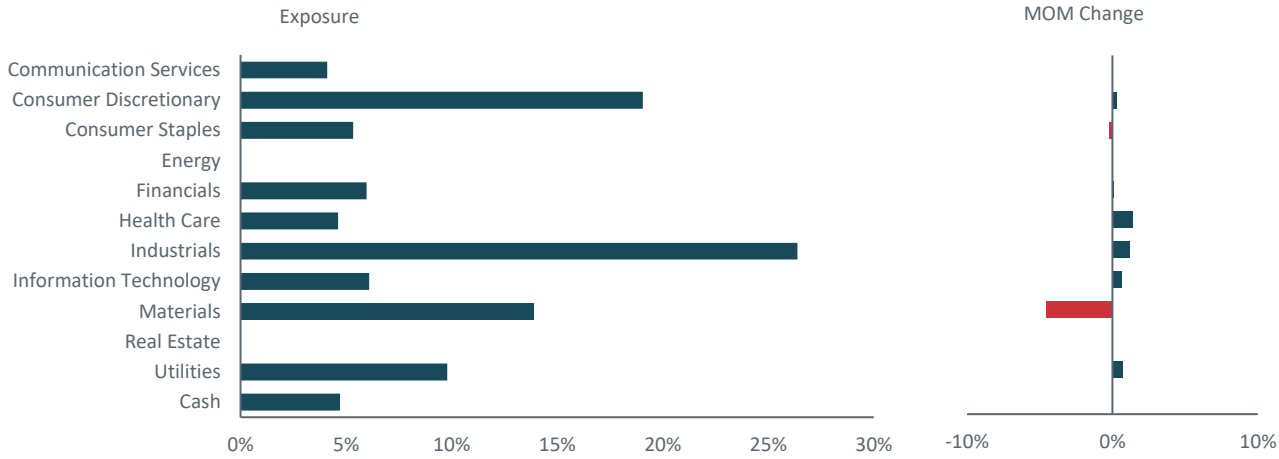
Ryanair
National Grid
Jet2

Top 5 Longs

Ubisoft	4.1%
Spectris	4.0%
National Grid	3.9%
Next	3.9%
Ryanair	3.9%
Total	**19.8%**

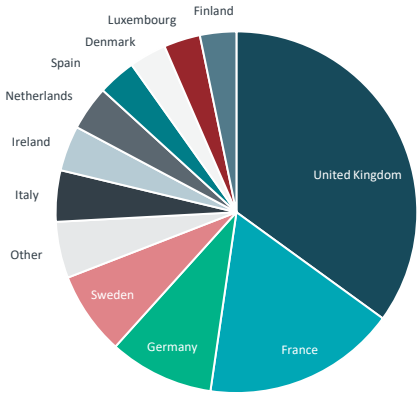
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15)

Sector Exposure

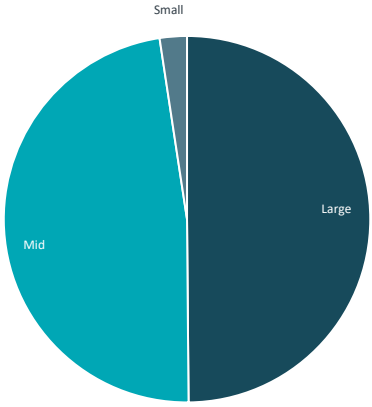


Source: Lancaster Investment Management

Country Exposure

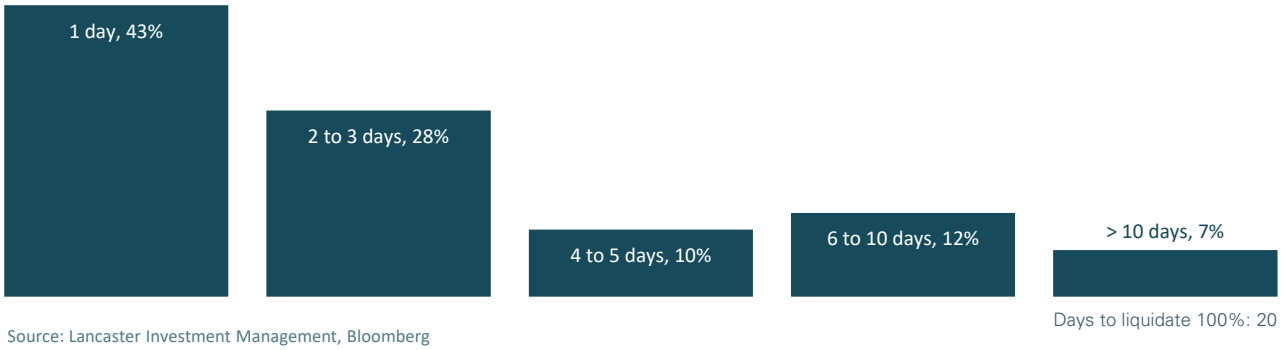


Market Cap



Source: Lancaster Investment Management

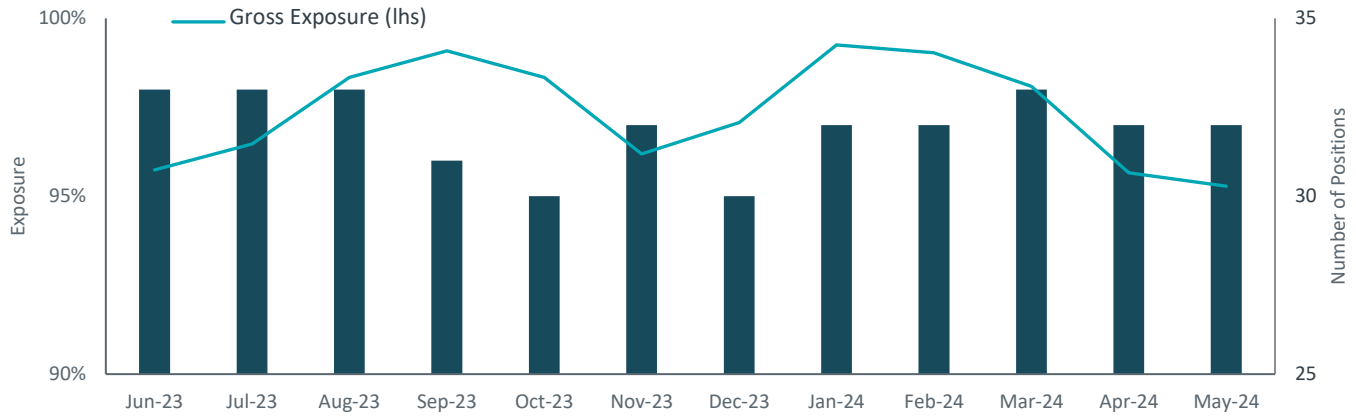
Liquidity



Source: Lancaster Investment Management, Bloomberg

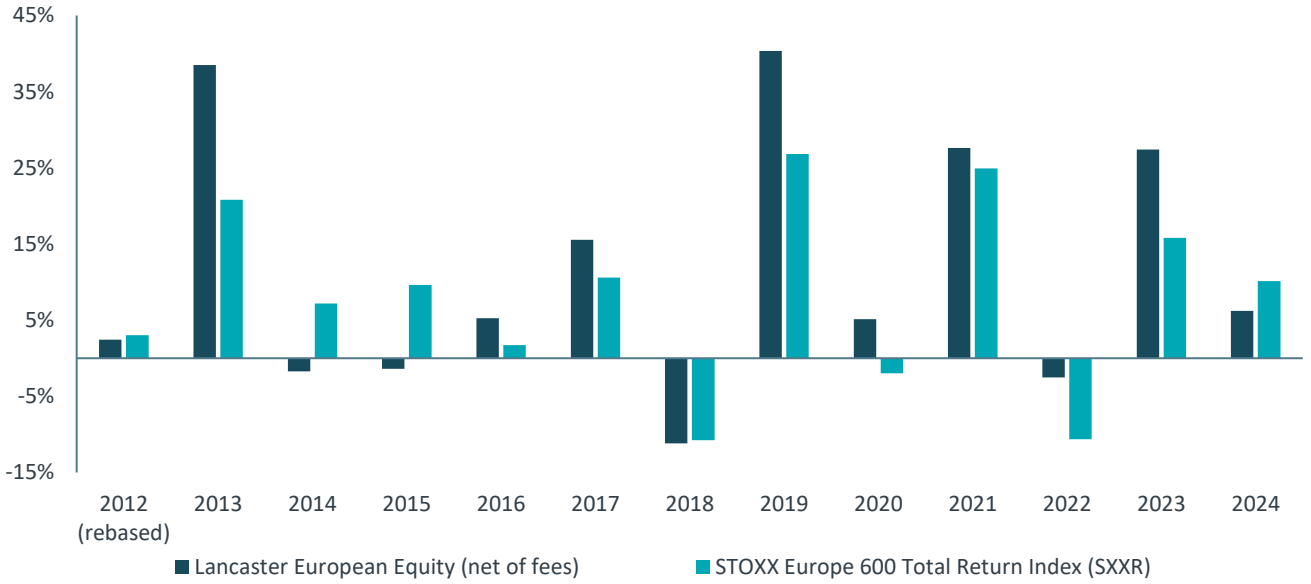
Graphs for illustrative purposes only

Portfolio Composition



Source: Lancaster Investment Management

Fund Performance (net)



Source: Lancaster Investment Management, Bloomberg

Historical Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	-0.64%	-1.78%	5.70%	1.36%	1.57%								**6.20%**

	YTD	2023	2022	2021	2020	2019	Inception
Lancaster European Equity	6.20%	27.41%	-2.53%	27.62%	5.11%	40.34%	**268.84%**
STOXX Europe 600 Net Return (SXXR)	10.14%	15.80%	-10.64%	24.91%	-1.99%	26.82%	**159.71%**
MSCI Europe Net Return (NDDLE15)	10.73%	14.30%	-8.54%	22.61%	-2.21%	23.75%	**157.21%**

Performance quoted net of fees based on the most invested open share class (Class A/1$). Other share classes with higher fees exist, please refer to the PPM for full details. Full monthly performance available on request.

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Lancaster European Equity Details

Launch date	October 2012			
	Class A/1	**Class C/3**	**Fund Structure**	Cayman Master Feeder: Cayman Ltd, Delaware LP
Redemptions	Monthly	Monthly		
Notice Period	60 days	60 days	**Administrator**	Morgan Stanley Fund Services
Minimum Investment	$5,000,000	$5,000,000	**Auditor**	Ernst & Young
Management Fee	1.00%	0.75%	**Prime Brokers**	Goldman Sachs, Morgan Stanley
Performance Fee	None	10.0%*	**Legal Advisors (UK)**	Schulte Roth & Zabel
Lockup Period	None	None	**Legal Advisors (US)**	Schulte Roth & Zabel
Subscriptions	Monthly	Monthly	**Legal Advisors (Cayman)**	Walkers
Gate	None	None	**Contact Details**	Rory Hayward rory.hayward@lancasterIM.co.uk +44 20 7842 1050

* Subject to index hurdle and payable over multiple years – please see offering documents

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